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**TRANSCRIPT OF THE HON. ARTHUR SINODINOS AO
INTERVIEW WITH JOEL FITZGIBBON MP & DAVID SPEERS,
SKY NEWS PM AGENDA**

Subjects: Brexit & the world economy, Budget deficits, Ziggy Switkowski & NBN, chemical regulator for farms moving to Armidale, Parakeelia.

EO&E.....

DAVID SPEERS

You're watching PM Agenda, time to bring our panel this afternoon. Cabinet Secretary Arthur Sinodinos and the Shadow Agriculture Minister Joel Fitzgibbon. Gentlemen, very good to see you this afternoon, thanks for joining us.

ARTHUR SINODINOS

Hello.

DAVID SPEERS

I just want to start with some of the nervousness that's around in relation to a possible Brexit, a British exit from the EU. The vote is taking place, I think it's the end of next week. Our market lost two per cent yesterday, it's lost just over one per cent today and it's nerves about Brexit that are driving a lot of these. Arthur Sinodinos, to you first, what is your view, should Britain actually leave the EU or not?

ARTHUR SINODINOS

Well at the end of the day it's a decision for the British people. Britain has a very special place in Australian history and ongoing cultural relations so whatever happens with Brexit, those relations will continue both the strategic and economic interests that we have. They're an important partner of the US as well as an important link to Europe so they're a very unusual country in one sense and I think on the whole it would be more desirable if they stay in Europe but if the British people decide that is not appropriate then well, it's their democratic right. It's one of the great democracies, it's up to them what they do and we will adjust accordingly.

DAVID SPEERS

Well it is. It is indeed up to them but the sentiment you expressed then, the Prime Minister himself has previously expressed similar that'd we'd welcome Britain staying in the EU. If we did see it leave, if we did see it further strain and break apart the EU, Arthur Sinodinos, what do you think it would mean for the global economy?

ARTHUR SINODINOS

Well look there has been uncertainty because people don't know exactly what a Brexit would mean in terms of whatever new economic relationships might develop after that but from our point of view the most important thing is to be as strong as an economy we can be so that if there is any uncertainty, any adverse external shocks, we're in the best position to work our way through them which is why our focus on having a strong economy, continuing with our plan on jobs and growth is very important to us in this campaign.

DAVID SPEERS

Alright, alright. We'll get to the domestic competing interests but Joel Fitzgibbon, we are a trading nation, some argue we might actually do better if we could deal more directly with Britain rather than the EU. What's your view, do you share the concern that a British exit would be a bad thing on the whole?

JOEL FITZGIBBON

I think Speersy it's important that I agree with Arthur and that is that it is ultimately a matter for the British people of course. They've been having this debate now since the early sixties and it's caused all sorts of vibration throughout their communities ever since and will continue for some weeks to come yet. Look, you know, I think Gordon Brown has this one right, I think he said today or yesterday that better for Britain to show or attempt to lead the EU rather than leave the EU. If the British people have some certain about border movements et cetera or the imposition on its independence in terms of its judiciary for example then it should be seeking new arrangements with the EU. I don't think it's in the interest of the EU nor in the interest of the British people for them to exit.

DAVID SPEERS

Now in the event of an exit, in the event of worst case scenario, another global financial shock, what should happen? Arthur Sinodinos, is stimulus here in Australia the way to go, even if not in the scale of 2008, but is stimulus the way to shield us against a recession?

ARTHUR SINODINOS

Look, I think it's way too early to be predicting scenarios, but we've got the budget on a good path, I think that I think that will help us if there is an adverse external shock. I also think that the economy is very resilient, we have a very flexible exchange rate and we have

good strong independent settings for monetary policy so the fundamentals of the economy are good, the main challenge is to build on those fundamentals.

DAVID SPEERS

And that's absolutely right, we don't know what's going to happen but we're going to an election in just over two weeks, do people deserve to know what the two sides would do if there is such a financial shock? Arthur Sinodinos would the Coalition go with a bigger deficit to shield us against recession?

ARTHUR SINODINOS

Look, those are questions which are best addressed if and when you see that a particular shock may be coming, I think that's a bit speculative. In the meantime all we can do is say to people -

DAVID SPEERS

It's not speculative to say what your approach would be. We're about to have an election, we're looking at the two sides, what would you do if, you know, it's not impossible that we have another global financial shock?

ARTHUR SINODINOS

Well what we did in 1998, for example, is let the exchange rate find its own level. Monetary policy was accommodating in the circumstances. What happens to the Budget will depend on what happens to the economy. And you certainly wouldn't want to be offsetting any sort of adverse shock by tightening policy. But look, this is all speculation -

DAVID SPEERS

So no big stimulus spend in other words?

ARTHUR SINODINOS

Well if you strengthen the economy through the measures we're talking about in this election, I think that's the best guarantee against, for dealing with, adverse shocks.

DAVID SPEERS

Joel Fitzgibbon, what about the Labor approach?

JOEL FITZGIBBON

Well David the economy has already had to suffer the best part of an eight-week election campaign, and strange as it may seem, we've all seen the impact that's having on the economy, and activity, and consumer sentiment etc. So I think the last thing leading

politicians should be doing is speculating about what might happen if Britain leaves the European Union.

DAVID SPEERS

Sure, but again, we deserve to know, don't we? What your approach would be if there's a financial shock? Would it be to stimulate, as Labor did last time? Would it be to let monetary policy do what it can? What's your approach? What's your principle position on this?

JOEL FITZGIBBON

No I believe the best thing we can do for the Australian people is to not speculate on something which is entirely hypothetical, the British people haven't even voted yet on Brexit, let alone determining what impact that might have for the global economy. But I should say that those who are concerned about Brexit aren't concerned about Britain in isolation, they're concerned about the aggregate effect of slowing economies throughout the globe, particularly in China, and other issues around China like the rising debt among its corporates.

DAVID SPEERS

Well you're right. There are plenty of risks on the horizon. Why then is Labor, over the next four years, willing to sink us even deeper into deficit?

JOEL FITZGIBBON

Well I noted that Alan Oster, the chief economist at the National Australia Bank, said today that, given money is so cheap, the cost of borrowing to government is so low, that this is in fact the time, not to be taking a sledge-hammer to the economy, but to be investing in productive infrastructure, which is exactly what the Labor Party is proposing in the lead up to July 2. We will take the Budget back to surplus, we have a plan -

DAVID SPEERS

Hang on, your additional spending isn't all infrastructure. It's hospitals, it's schools, it's childcare, yes you can argue the case for them, but just to be clear, that's not what economically productive -

JOEL FITZGIBBON

Well no, it depends on your definition of infrastructure. Social infrastructure is relevant to this equation too. Over the next four years we will reduce the Budget deficit every year and we have a plan to take the Budget back to surplus. But in the meantime we still think that in the medium term it's important for us now to be investing in education, including higher education, including TAFE and vocational education and training to make sure we maintain

the skill base we need to grow into the future. And I think that's a very sensible approach and I see that Alan Oster agrees.

DAVID SPEERS

So because interest rates are so low, it's a good time to borrow?

JOEL FITZGIBBON

No what I'm saying is we have a plan to get back to surplus, we will get back to surplus the same year Malcolm Turnbull is promising -

DAVID SPEERS

Yeah but with a higher level of debt because you're saying 'bigger deficits between now and then.'

JOEL FITZGIBBON

What I'm saying is, we will get back, we will use the next four years to reduce debt, and start reducing the deficit, but we won't take the sledgehammer approach to the economy that Malcolm Turnbull has chosen. We acknowledge and recognise that -

DAVID SPEERS

What I'm saying I now the time to be going into deeper debt, deeper deficit, given all those global risks? I'm just wondering is now the best time to do that? Is it your view that because rates are so low, that it doesn't matter?

JOEL FITZGIBBON

I believe it's time to have a clear plan back to surplus, and we have a clear plan back to surplus. And to ensure that over the next 4 years we pay off debt, but at the same time we continue to invest in our future. And one of the great keys to our future of course, is the education of our most important ingredient in the economy, and that is of course our people.

DAVID SPEERS

Alright, Arthur Sinodinos under the Coalition the deficits would be smaller over the next 4 or 5 years at least, but again, is the Coalition doing enough in light of these global risks? Is the big company tax spend the right way to go at the moment?

ARTHUR SINODINOS

Well David, some reputable economists who are not necessarily friends of the Coalition have said that Labor's approach does risk our AAA credit rating, they haven't said that about our approach. We're taking quite a careful approach to getting the budget back into the

black, over the next 4 or 5 years. While at the same time having a rate of fiscal contraction which is appropriate based on advice from the treasury. And we believe the whole armoury of what we're doing on policy, including our competition policies and our policies to grow the economy, provides us with a very positive outlook, which gives people confidence about our economy. Unfortunately Chris Bowen's approach will mean we'll have to wait 100 days before we even know what's in his "mini budget". He's attacked us, at various times, on our assumptions in the budget, but when push comes to shove, he hasn't actually said what he would do about that. All he's said is, we'll have to wait 100 days for his budget, that will add to any global uncertainty that may pervade the Australian economy. This is not the time for uncertainty, it's the time for having certainty, and we have put out a ten year plan, with our cuts to taxes on business, in order to find a way to fund more jobs and more growth.

DAVID SPEERS

Let me turn to the NBN, the head of the Prime Minister's department Martin Parkinson has found after internal investigation the chair of the NBN Ziggy Switkowski breached caretaker rules, by submitting that opinion article that read in Fairfax papers, defending his decision to call in the police to investigate leaks. Arthur Sinodinos, what should happen if someone in his position breaches caretaker rules?

ARTHUR SINODINOS

Well, look the first point to make is Ziggy Switkowski this afternoon has issued a statement, in which he defends his interpretation of the caretaker conventions. He took a view that what was on the public record was, the leaks that were being made were damaging to the potential effectiveness of the company, staff morale of the company, potentially impacting on the costs of the company and on raising appropriate revenue for the company. So, there is provision -

DAVID SPEERS

Alright, but Martin Parkinson is pretty clear about this?

ARTHUR SINODINOS

David, there is provision in the caretaker convention for agency heads and others to take into account those sorts of factors. He made that judgement, he made that judgement and he has put out a statement this afternoon to that effect.

DAVID SPEERS

Yeah, but I'm talking about, the judgement surely of Martin Parkinson matters here too, he's the head of the Prime Minister's department.

ARTHUR SINODINOS

Well, I think that in circumstances like this, no doubt Martin and Ziggy may have discussed the matter further, but it's clear that Ziggy was aware of the conventions, but the conventions themselves do provide for circumstances like this, where an agency head makes a -

DAVID SPEERS

So you don't think he's breached caretaker conventions?-

ARTHUR SINODINOS

...that the organisation is being impacted. No, not to breach them.

DAVID SPEERS

So, you don't think there's -

ARTHUR SINODINOS

Well, I believe based on what he has said -

JOEL FITZGIBBON

Oh, come on Arthur -

ARTHUR SINODINOS

...this afternoon, he has clarified why on his interpretation of the conventions, he did what he did. And it's very fatuous of Labor, to try and go on about this, when in the 2013 campaign they flouted -

DAVID SPEERS

And I want to get into that -

ARTHUR SINODINOS

...conventions to keep running ads, during the caretaker period.

DAVID SPEERS

I want to get into that. Alright, but just to be clear, you don't think Ziggy Switkowski breached caretaker rules?

ARTHUR SINODINOS

My view is that, both of them Ziggy and Martin have taken slightly different interpretations of how the convention -

DAVID SPEERS

But I'm asking what your view is. Arthur Sinodinos, you've been around this game a long time, you've been through many, many elections in senior roles, so what's your view? Were caretaker rules breached? You're better placed than most to know!

ARTHUR SINODINOS

I think that Ziggy took an approach based on his judgement, the problem with the situation is that the NBN is such a politicised issue, or has become in Australia, over the last six years that anything about you do about the NBN in a political or an election context does risk being misinterpreted and unfortunately that's where we have ended up.

DAVID SPEERS

So he should have stayed out of it? So he should have stayed out of it?

ARTHUR SINODINOS

Look, probably Ziggy today would think that he was doing the right thing by the company but no chairman likes to have publicity so he probably thinks well I did what I had to do but is uncomfortable about the fact that he's had to go public on it.

DAVID SPEERS

Yeah but what do you think? That's what I am trying to get to. What do you think?

ARTHUR SINODINOS

Look, I think Ziggy did what he did because he wanted to defend the company and he has a perfect right to do that. Martin has taken a certain view and I have no doubt that Ziggy has learnt a lesson from that and will act accordingly in future.

DAVID SPEERS

Should he have done it though at all? I mean should he have written this piece?

ARTHUR SINODINOS

Well that's a – I'm not inside Ziggy's head but he made a judgement and I wasn't the agency head who made that judgement.

DAVID SPEERS

But you're the Cabinet Secretary, I know, but you're the Cabinet Secretary, a senior member of the Government, we have these caretaking conventions, I'm asking you, do you think he did anything wrong?

ARTHUR SINODINOS

I don't think he did anything wrong but I think he should have realised he was probably walking in to a political minefield.

DAVID SPEERS

Alright and Joel Fitzgibbon, not only the references Arthur Sinodinos made but Mike Quigley that was the chief executive of the NBN I think back in the 2010 campaign was tearing in to the Coalition's alternative approach, that was a breach of caretaking conventions surely too.

JOEL FITZGIBBON

Well David, Ziggy's statement didn't come in to my inbox, it looks like it did come in to Arthur's, but he's just, the Cabinet Secretary has just challenged Martin Parkinson's interpretation of the conventions and I think that's poor form. We all know this is an ongoing cover up. This is all designed to cover up Malcolm Turnbull's poor handling, poor implementation of the National Broadband Network, that's what this is all about –

DAVID SPEERS

But what I was asking you -

JOEL FITZGIBBON

This is not the first breach. But can I just say Barnaby Joyce is running around every day –

DAVID SPEERS

It's not the first breach and under Labor we had one from Mike Quigley and there was not even a ripple of concern.

JOEL FITZGIBBON

Sorry Speersy, I don't remember what happened in 2010 but I do know Barnaby Joyce is running around the country everyday breaching the conventions. He's got the chemicals regulator for farms moving to Armidale without any cost-to-benefit analysis and he's spending \$25 million in the process. A process which will have a very very bad impact on the Australian farming community so this is almost a daily occurrence for this mob.

DAVID SPEERS

Alright look we are out of time, I've got to squeeze in one more though because we did talk about this, there's been a lot of commentary since. Parakeelia, Arthur Sinodinos, you know, the PM's been saying there is no difference, Labor has its own research company that it uses as well, the difference though surely is that Parakeelia puts money back in to the Liberal Party. Does that look bad do you concede at least?

ARTHUR SINODINOS

Look as I'm advised it is treated as other receipts by the Australian Electoral Commission, not as donations and it does not operate as profit centre. It is a matter for the organisation, it's now gone, I understand, courtesy of Mr Shorten to the Auditor General and I think for the sake of transparency maybe Labor should lay out their arrangements with the Auditor General as well and then the public can have a full view about how these arrangements operate and the Liberal Party organisation will fully cooperate with the Auditor General.

DAVID SPEERS

Alright, but you don't think it looks bad?

ARTHUR SINODINOS

Look, on the base of the information that has been provided to me, I don't think it does David and I think you should talk further to the organisation about that, but now it's with the Auditor General, let's us and Labor put everything on the table. The party organisation on our side will cooperate and let's see what they think.

DAVID SPEERS

Alright, we've got to go to a break. Thank you both for joining us this afternoon, look forward to catching up next week. Arthur Sinodinos and Joel Fitzgibbon.

-ENDS-